



In the Matter Of

Restoring Internet Freedom

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WC Docket No. 17-108

Written Ex Parte of the Benton Foundation

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On May 17, 2017, the Federal Communications Commission ("Commission") adopted a Notice of Proposed Rulemaking (NPRM) entitled Restoring Internet Freedom which seeks comment on how the classification of broadband Internet access service as a telecommunications service has impacted smaller broadband Internet access service (BIAS) providers (see ¶47).

On June 6, the San Francisco Chronicle reported that small BIAS providers are thriving under the current net neutrality rules. In ***Bay Area Internet providers thriving in the era of net neutrality*** (<http://www.sfchronicle.com/business/article/Bay-Area-Internet-providers-thriving-in-the-era-11200806.php>), Dominic Fracassa reports, "Some of the region's upstart providers, who compete with the likes of AT&T and Comcast to provide crucial links to the Internet for homes and businesses, saw the fair-play requirements of net neutrality as more help than hindrance." For smaller BIAS providers, "rules ensuring the fair treatment of Internet traffic have meant that [Comcast and Verizon] can't arbitrarily shut" them out of their networks. "If big (Internet providers) can choose who they do business with in that way, it will be very damaging for smaller (providers) like us," said Andreas Glocker, CEO of Fastmetrics, a business Internet provider in San Francisco. Fastmetrics has also managed to improve its bottom line under the 2015 net neutrality rules.

The Benton Foundation urges the Commission to listen to small BIAS providers and retain the current Open Internet rules.

Sincerely,

_____/s/____

Kevin Taglang

Benton Foundation

June 7, 2017

Bay Area Internet providers thriving in the era of net neutrality

By Dominic Fracassa | June 6, 2017 | Updated: June 6, 2017 6:00pm

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Photo: Paul Chinn, The Chronicle

Carlos Contreras completes the installation of fiber-optic equipment into a utility pole junction box for Sonic's fiber Internet service on Alabama Street near Precita Park in San Francisco.

Over the last two years, the Bay Area's community of Internet service providers has been tapping into the region's bottomless demand for faster speeds at competitive prices.

Take Sonic in Santa Rosa. The high-speed broadband provider has doubled in size since 2015, according to CEO Dane Jasper, bolstering its ranks by 188 employees in 2016 alone. The company now employs 418 workers.

The region's robust market for Internet connections is also a boon for Bay Area consumers, who are able to pick from a far greater array of competing providers compared with a large swath of the country. But it also raises questions about a central theme brought up again and again by the principal businesses working to repeal net neutrality — rules intended to ensure that Internet providers can't play favorites with the traffic flowing across their networks.

Some of the region's upstart providers, who compete with the likes of AT&T and Comcast to provide crucial links to the Internet for homes and businesses, saw the fair-play requirements of net neutrality as more help than hindrance. Or they were just too busy stringing fiber and installing network equipment to worry about a fight in faraway Washington.

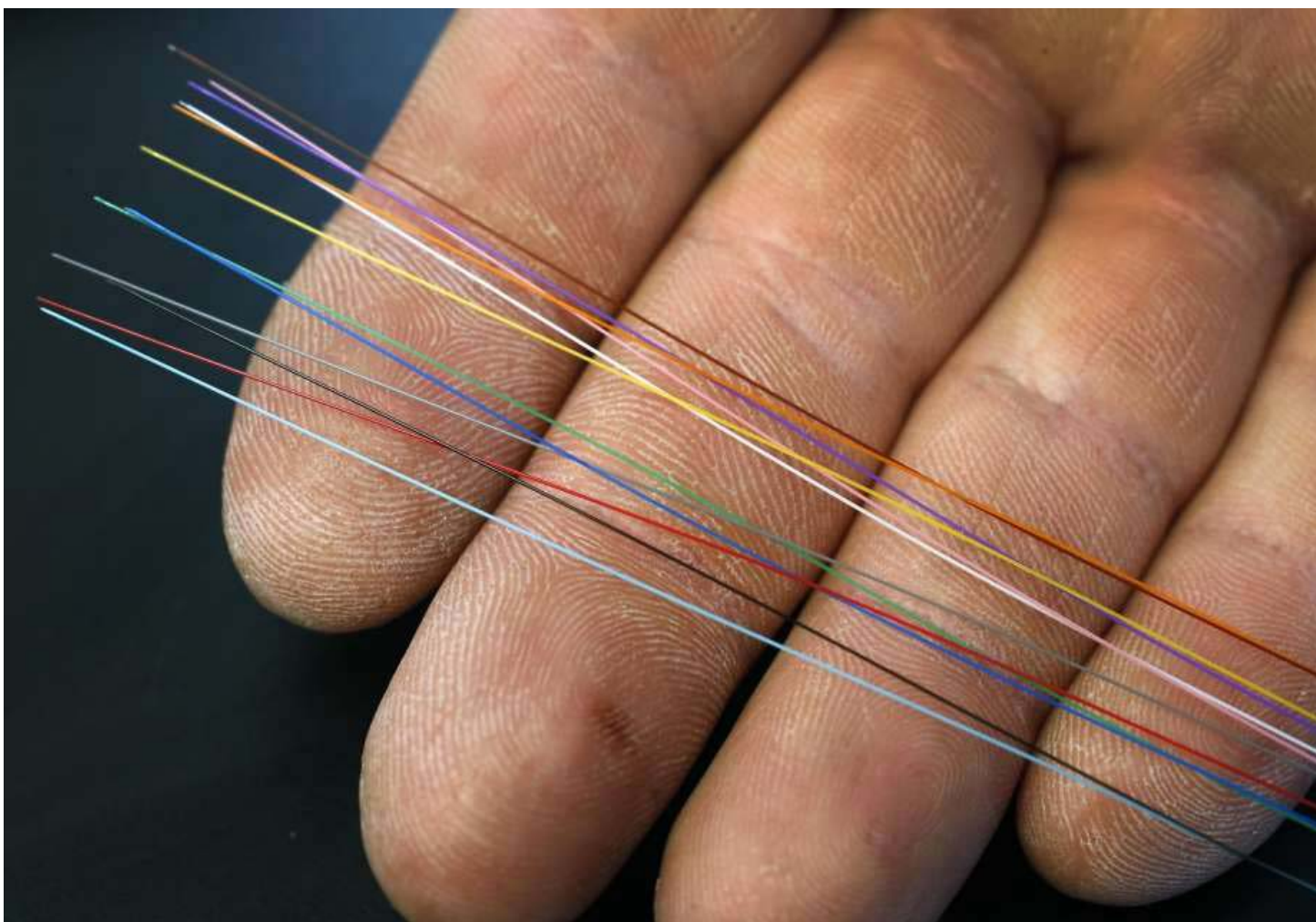


Photo: Paul Chinn, The Chronicle

Josh Bishop preps multiple strands of fiber-optic wires to fuse for Sonic's gigabit Internet service.

Last month, in a sign of the rising demand for Sonic's services, the company announced plans to push into seven more San Francisco neighborhoods, including the Mission District, the Castro, Noe Valley and Glen Park. At present, Sonic covers about 90 percent of the city, Jasper said.

Similarly, Monkeybrains, a wireless Internet provider in San Francisco, has expanded both its customer base and its workforce by 25 percent in each of the last four years, according to co-founder Rudy Rucker.

And beyond the successes of existing Internet providers, the Bay Area is seeing new entrants like Common Networks, a San Francisco startup offering wireless broadband in Alameda, with plans to expand.

In late April, when Federal Communications Commission Chairman Ajit Pai delivered his stump speech for rolling back net neutrality rules, he returned repeatedly to the notion that the regulations were systematically smothering the ability of Internet businesses to invest in their networks, curbing job growth and constraining innovation.

Hewing closely to the long-standing ethos among many political conservatives that regulations, as a rule, have a suppressing effect on economic growth, Pai insisted that a “light-touch approach” to net neutrality would encourage Internet companies both large and small to put more Americans to work “building next-generation networks,” he said.

The Bay Area’s broadband boom, in short, is confounding Pai’s assurances that the FCC’s approach to regulating Internet providers was stifling the development of Internet infrastructure.

Starting in 2015, the FCC began treating Internet providers as so-called common carriers, a distinction that gave the agency wider authority to regulate them more like phone companies and other traditional utilities, including imposing net neutrality requirements.

For Sonic’s Jasper, that status has been a distinction without a difference.

“Our investments in infrastructure will continue with or without net neutrality,” he said. Pai’s position on the issue, he added, “is a political argument that says that free markets are best, and we should deregulate, come what may. I don’t think this should be a political question.”

The FCC declined to comment.



Photo: Paul Chinn, The Chronicle

Josh Bishop removes a cassette containing fiberoptic wires from a mobile splicing trailer on Alabama Street to install in a junction box on a utility pole for Sonic's gigabit fiber internet service near Precita Park in San Francisco.

Brett Woollum, the CEO and founder of Tekify in Hayward, which provides Internet services to several East Bay cities, said that, apart from some additional compliance costs, like filling out additional paperwork with the FCC, “net neutrality hasn’t particularly affected our business to any degree.”

Fastmetrics, a business Internet provider in San Francisco, has also managed to improve its bottom line in spite of the FCC’s regulatory moves.

“The demand has been phenomenal. We’re seeing more and more sales,” said CEO Andreas Glocker. Fastmetrics, he said, saw revenue increase 17 percent last year.

In fact, Glocker said, the FCC’s net neutrality rules, which are still in effect while the commission explores ways to undo them, have had a positive effect on his company, which

purchases last-mile Internet bandwidth wholesale from larger providers like Comcast and Verizon. For Fastmetrics, rules ensuring the fair treatment of Internet traffic have meant that those companies can't arbitrarily shut the company out of its networks.

"If big (Internet providers) can choose who they do business with in that way, it will be very damaging for smaller (providers) like us," Glocker said.

Larger Internet providers have given mixed signals about the rule's impact.

In an email on Friday, Comcast said, "we operate in an extremely competitive environment and have to keep investing for our customers, but there's no doubt that (the regulations have) affected our planning."

Several large providers, on the contrary, have suggested common-carrier status would not affect them. In a **letter** to then-FCC Chairman Tom Wheeler, Sprint Chief Technology Officer Stephen Bye wrote that the company "would continue to invest in data networks regardless" of how the FCC chose to regulate them.

In a meeting with investors in 2015, AT&T CEO Randall Stephenson said that the company planned to deploy more fiber-optic networks in the next year. A year earlier, Francis Shammo, then the chief financial officer of Verizon, told an investment conference audience that the status of net neutrality "does not influence the way we invest."

Independent data on infrastructure investments by Internet providers is scarce, reflecting the deep politicization of the net neutrality debate.

In his April speech announcing that put the repeal of net neutrality into motion, Pai said that, among the nation's 12 largest Internet providers, capital expenditures decreased 5.6 percent between 2014 and 2016. Those figures were pulled from research conducted by Hal Singer, an adjunct professor at Georgetown University's McDonough School of Business, who advocates for less government control over Internet providers.

The U.S. Telecom Association, a trade group representing broadband providers that has called for rolling back net neutrality,

reported last month that the industry's capital expenditures have slowed slightly since the net neutrality rules were implemented, from \$73 billion in 2015 to \$71 billion in 2016. Jonathan Banks, a senior vice president of law and policy for the organization, called that dip "concerning," but added that the data cannot categorically show that it came from the FCC's regulations alone.

Conversely, the Internet Association, a trade group that has supported strong protections for net neutrality, reported that telecommunications investments by publicly traded companies rose by 5.3 percent since 2013. "There's no evidence that net neutrality caused infrastructure investment to decline," the group said in its report.

The FCC is working through a proposal that would unwind net neutrality rules, leaving Internet providers to largely regulate themselves when it comes to maintaining an open Internet — a development with troubling consequences for Jasper, Sonic's CEO.

"We've continued to invest in infrastructure deployment and in fact, we're more concerned about the unlevel playing field that a lack of net neutrality could create," he said.

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